PRESENTATION TO PHILIP MORRIS

JANUARY 21, 1990

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

THE CHARGE

- Review PV Category
- Assess tactics which allow Philip Morris to unseat Doral.
- Identify new and/or established brand that can dominate.
- Develop ownable creative and promotional approaches.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

PROCESS

- Strategic Market Overview
  - Analyze Growth Brands
  - Discounting/Couponing/Promotional Environment
- Define Consumer
- Field Interviews, Store Checks
- Assessment of existing Philip Morris Brands

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

CONCLUSIONS

- Some people will only shop price.
- Urgent need to develop committed brand loyalty
- Promotional and Retail activity as important as advertising in attracting/keeping smokers
- No need to develop new trademark
- Essential to build perceived value to bolster brand against promotional climate

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

CURRENT PERCEPTION OF VALUE

Value = Good Taste + Low Price

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

BUILDING A VALUE BRAND

- Recognize that price doesn't build loyalty
- Develop distinction between discounted price and brand values (i.e., consistency, quality, perceived value)
- New entrants to PV category expect price advantage, value is the tie-breaker
- Value is the ownable component of brand character in PV segment

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

NEW PERCEPTION OF VALUE

Good Taste + Good Price +

Perceived Value =

THE ULTIMATE VALUE BRAND

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

CONSIDERATIONS

- Advertising and promotion equally important to Brand growth
- Faltering economy confirms need to cut back
- Uncertainty about future spurs desire to reaffirm personal values
- Consumers feel need to cut back, yet they don't want to feel compromised
- Brand that satisfies demand for value and quality and provides strong emotional rewards ... brand intangibles ... can dominate.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

VALUE REDEFINED

- Associate value with a strong sense of values.
- Harness emotional intangibles to enhance brand perception.
- Create The Ultimate Value Brand

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

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VALUE BECOMES THE IMAGE

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

ADVANTAGES FOR A VALUE POSITIONING

- Rather than competing at the bottom, moves brand to arena of greater profitability.
- Flatters smokers who buy a PV brand
  - You not only recognize value, you also have a strong sense of values
- Provides a brand character to fight Doral, the only PV with any defined personality, i.e., one of the top 10 brands

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- Establishes strong emotional appeal for consumer share of mind
- Allows value to become a standard for status in the 1990's
- Insulates brand against couponing, POP specials
- Has potential to significantly alter order of entry into the PV category

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This value image is highly relevant to blue collar and white collar smokers. Indeed, many of their values have much in common

- Independence/Freedom
- Morality: a solid pay for solid work, company loyalty, responsible government
- Pride in being able to take care of themselves, their families
- Demanding more quality, skeptical about price
- Wish for social acceptability/connectedness

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

ASSESSMENT OF WHICH PHILIP MORRIS BRAND HAS THE MOST POTENTIAL TO SUPPORT THIS POSITIONING

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

Which Brand?

CAMBRIDGE

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

REASONS WHY

- Cambridge has established itself as a value-oriented brand
  - 12th leading brand overall
  - 2nd only to Doral in the PV segment in terms of unit sales and SOM
  - Rate of growth, at 11%, is equal to Doral's

- Its existing advertising allows for the easy adaptation of a "values" positioning.

- It is the only Philip Morris brand, other than Marlboro, that substantially interacts within the PV segment — and with Doral in particular

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WHAT CAMBRIDGE NEEDS TO BE MORE DESIREABLE

- Strong brand personality
- Emotional appeal to build brand loyalty
- Distinctive advertising plus promotional overlays
- Preemptive retail presence

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

CREATIVE DEVELOPMENT

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

"BRIDGE" CAMPAIGN

Theme line

- "The bridge between great taste and great value. Cambridge."

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

Graphic Execution

- Heroic product registration, as the Cambridge pack is transformed into bridge architecture.
- In some instances the proportion of the pack invites whimsical interaction with the smokers.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

Strengths

- Strongly builds brand name registration.
- Links the name to a meaningful product benefit.
- Provides a mnemonic that a smoker can "carry" with him to point-of-purchase.
- Strong promotional opportunities.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

"CHOICES" CAMPAIGN

Theme line

- "When you know your values, your choices are easy. Cambridge. A quality smoke at the right price."

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

Graphic Execution

A. Man dominant in the wilderness

- Reflects desire to be "in control" during these uncertain times.
- Stirs emotions, viewer becomes participant.
- Positions PV as a choice, not a come-down.
- Brings pride to price category.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

B. Couples

- Speaks of commitment, loyalty, friendship.
- Unique emotional appeal within category.
- Appeals to need for connectedness.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

C. Open Road

- Rebel with a cause
  - Change things so world makes sense to you
- Empathic reflection of disenfranchised smoker.
- Appeals to desire to break away and be "your own man."

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

Strengths

- Ownable emotional brand personality
- High perceived "value added"
- Brings status to the PV segment

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

"METAPHOR" CAMPAIGN

Theme line

- "Buy quality at any price. Even when it's less. Cambridge. Great price. Great value.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

Graphic Execution

- A stark visual equation between the relative value of very expensive brands and the solid performance of very inexpensive alternatives.

- The conclusion is obvious: Cambridge is the brand that gives you all you need in a cigarette.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

Strengths

- Clarifies the essence of a value-driven purchase decision.
- Brings humor and wit to the category.
- Brings pride and social acceptability to the price category.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

"WELCOME BACK" CAMPAIGN

Theme line

- "There was a time when a dollar was a dollar and a cigarette was a smoke. Welcome back."

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

Graphic Execution

- Evocation of time when values ruled the day and cigarettes were seen as delivering smooth, true flavor.
- Link brand to a time when dollar had weight and value.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

Strengths

- Strong emotional appeal as we revisit "the world's scrapbook."
- Positions PV as a choice, not a compromise.
- Unique promotional and point of purchase opportunities.

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APPENDIX

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

PV SMOKER GROUP PERCEPTION

- PV Smokers appear to segment into three groups:
  1. "The Price Driven"
     - Initial entrants
     - Regularly smoke a PV brand, but brand promiscuous
     - Financially constrained/price dominated
     - Uninterested in brand personality

     Value = Price

  2. The "Smart Shopper"
     - More recent entrants
     - Regularly smoke a PV brand and more brand loyal than the "Price Driven"
     - Value for money oriented, not price obsessed

     Value = Price + Satisfaction

     (Brand Familiarity + Brand Personality + Taste Reassurance)

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3. The "Dabbler"
   - Occasionally smokes a PV brand
   - More emotionally involved with their brand
   - "Intangibles" of status and taste reassurance is a much more important
   - More recent entrants
   - Regularly smoke a PV brand and more brand loyal than the "Price Driven"
   - Value for money oriented, not price obsessed
     component to a brand's value and satisfaction than "Price."

Value = Satisfaction (+Price)

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

PRICE PERCEPTIONS

- Smokers perceive 3 pricing tiers to exist:

• Full Margin (Name Brands, Popular Brands)	More expensive/regular price
• Branded Generics (Name Generics)	Moderate/cheaper
• Generics (B&Ws) and Unknown Sub-Generics	Cheapest

- Most smokers, however, are unaware of the pricing differential between branded generics and sub-generics.

- Perceptions driven more by positioning in the store rather than actual knowledge.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

QUALITY PERCEPTIONS

- Price may not be everything,but price influences purchase choices.
- Regular PV smokers perceive branded generics — especially Cambridge and Doral — to be on par with FM brands
  - For some, branded generics have become the market norm in terms of quality.
- "Dabblers" perceive branded generics as lower in quality because they lack status
  - Magna, and to a lesser extent, Doral, are viewed as being exceptions

    —Magna's status stems from it being the only PV brand to deliver "FM brand imagery"
    - Youthful
    - Dynamic
    - Confident
    - "Gives you a good feeling about the cigarettes"

    —Doral's status is derived from its familiarity with older smokers and its being one of the ten best selling brands in America.

Source: https://www.industrydocuments.ucsf.edu/docs/fpgn0004

BRAND PERCEPTIONS

- Other than conveying a message of "good taste/low price," most PV brands are viewed as being devoid of a brand character with which smokers can identify.
  - —As such, most PV brands are seen as having indistinguishable, interchangeable images.

- Given the importance of brand personality as a component of "value" and "satisfaction" to the "Smart Shopper" and the "Dabbler", its absence inhibits a PV brand from gaining the legitimacy and acceptability of an FM brand.
  - —Without this "badge" with which smokers can identify,
    - the...
      - ..."Smart Shopper" is likely to continue to alternate between PV brands and FM brands bought on deal;
    - and the...
      - ..."Dabbler" is unlikely to become a regular PV brand smoker

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